

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern and dynamic visual effect.

FERS Overview

June 2018

Retirement Systems

- Federal Employees Retirement System
- Federal Employees Retirement System-Revised Annuity Employee (RAE/FRAE)

Retirement System

Federal Employees Retirement System (FERS)

- Congress created the FERS effective 1/1/1987
- New system for new employees, certain rehired employees & those who elected
- 3 different sources:
 - Basic Benefit Plan (FERS retirement)
 - Social Security
 - Thrift Savings Plan

Retirement System

Federal Employees Retirement System- Revised Annuity Employee (FERS-RAE)

PL 112-96, “Middle Class Tax Relief and Job Creation Act” of 2012

Beginning 1/1/2013:

- **New** Federal employees will have to pay 2.3% higher employee contributions
- **New** Members of Congress & Congressional employees will pay the higher employee contributions and will receive the same retirement benefits as regular employees

FERS-FRAE

FERS-Further Revised Annuity Employees (FRAE)- Section 401 of the “Bipartisan Budget Act of 2013”

Beginning 1/1/2014,

1. Employees hired after December 31, 2013, who are not excluded from FERS coverage become subject to FERS-FRAE coverage and must pay even higher employee contributions for the FERS basic benefit than FERS-RAE employees

Retirement Application

FERS

FERS-RAE

FERS-FRAE

Application for Immediate
Retirement

SF 3107

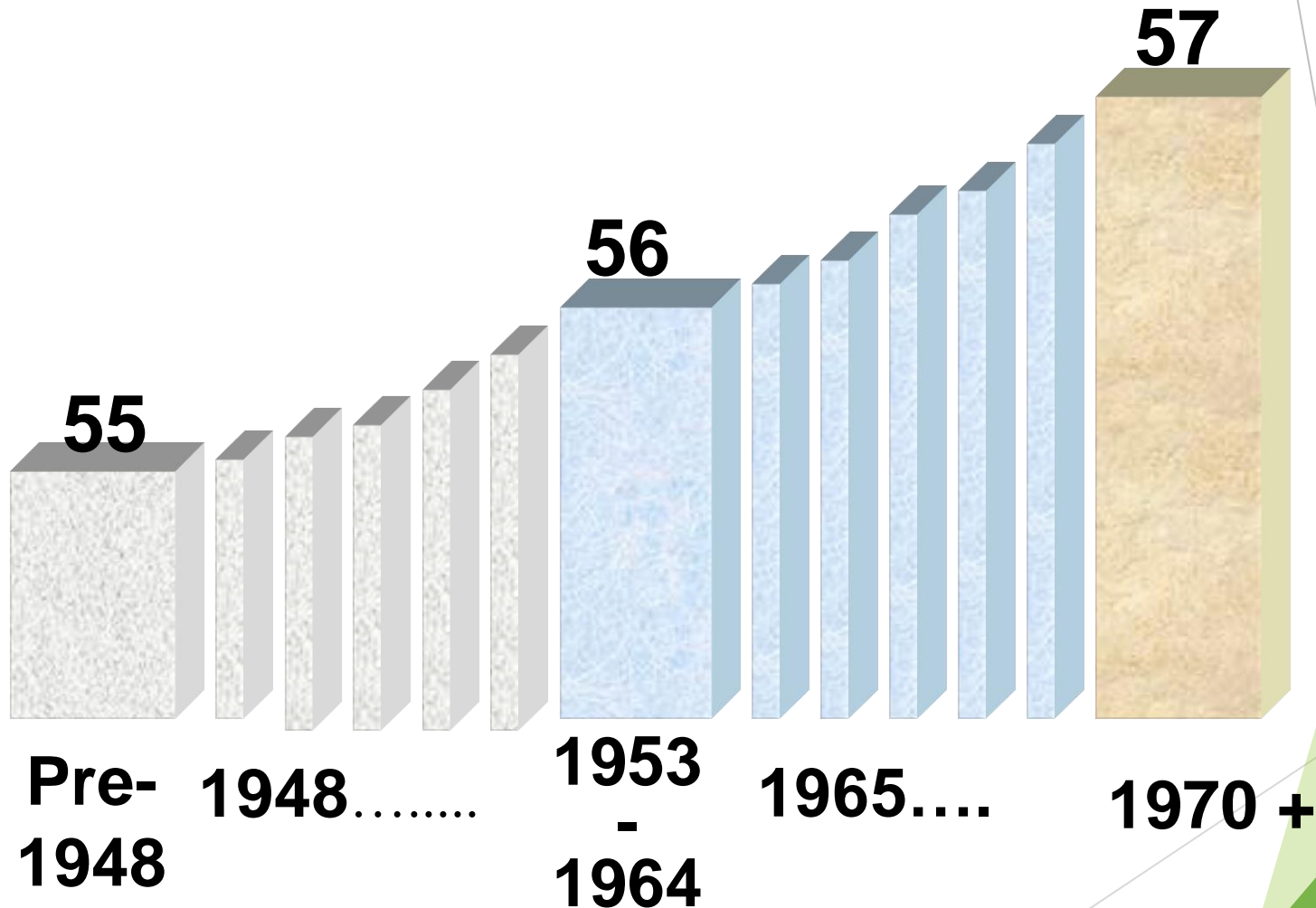
Types Of Retirements

- Regular/Optional
- Early Retirement
- Disability
- Special Provisions
- Deferred
- Phased Retirement

Age and Service Requirements for Regular Retirement

FERS	
<u>Age</u>	<u>Service</u>
MRA	30 years
60	20 years
62	5 years
MRA	10 years

FERS Minimum Retirement Age



Age and Service Requirements for Early Retirement

For FERS

Age

Service

Any

25 years

50

20 years

Additional Requirements for Early Retirement

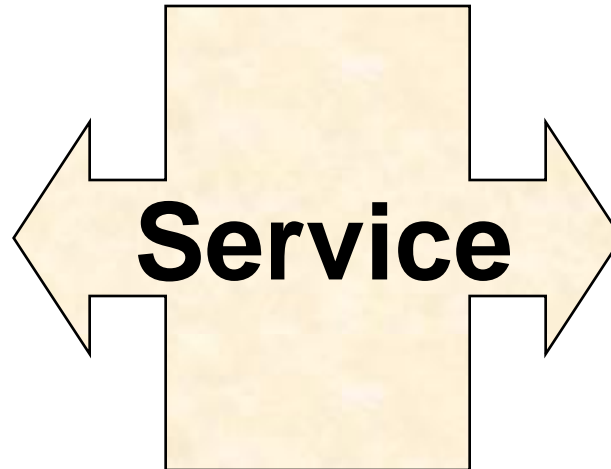
- Early Retirement Authority, or
- Involuntary separation (except for misconduct or delinquency)
- Discontinued Service Retirement (DSR)

Selecting A Retirement Date

FERS

Last day of the
month

How To Credit Service



**WHEN
you can
retire**

**HOW MUCH
you'll receive**

Amount of Creditable Service

Federal Civilian Service is normally credited from the beginning to ending date of an appointment

Exceptions

LWOP- 6 months

WAE

Seasonal WAE

Crediting Military Service

- Honorable, Active Duty Service
- Military Retired Pay Considerations
- Post 1956 Considerations



Crediting Post-1956 Military Service

FERS

Military deposit equals 3% of
base pay plus interest

Civilian Service Deposits

FERS nondeduction service performed prior to 01-01-1989

- Creditable for eligibility and computation purposes only if a deposit is paid

FERS nondeduction service performed on or after 01-01- 1989

- Generally not creditable and a deposit cannot be made

Civilian Service Deposits

FERS

Deposit equals
1.3% of earnings
plus interest

Refunded Service FERS

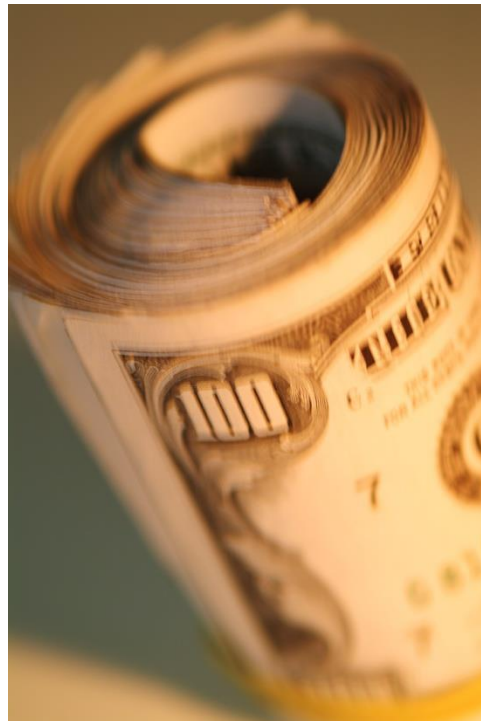
- P.L. 111-84, Section 1904 permits individuals who are subsequently reemployed to make a redeposit of the amount refunded, plus interest, and to have credit for the service reinstated
- National Defense Authorization Act 2010
- For the purpose of survivor annuities, redeposits may also be made by survivors
- Service Credit Applications SF-3108

Crediting Unused Sick Leave FERS

- ▶ Sick leave may be added to the length of service used to compute an immediate annuity
- ▶ Not creditable for establishing retirement eligibility
- ▶ FERS Sick Leave
 - ▶ 50% through 12/31/2013
 - ▶ 100% after 01/01/2014

How Much Will I Receive?

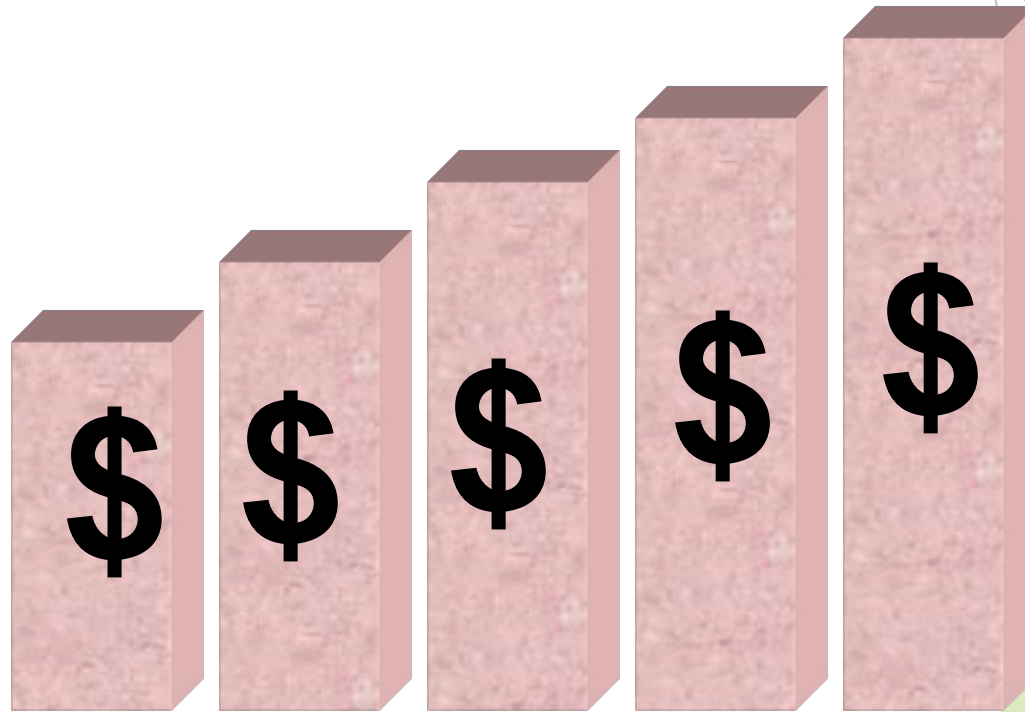
Annuity Computation



Basic Annuity

- Annuity is based on a percentage of the High 3 year average salary
- Percentage is determined by the amount of creditable service and the appropriate annuity formula

High-3 Average Salary



3 Consecutive Years

Basic Pay Includes:



Regular Pay

Locality Pay

- Night Differential for Wage Employees
 - Premium Pay
(for FF and LEOs)

Basic Pay Does Not Include:

- Bonuses
- Overtime
- Allowances
- Special Pay for Recruiting and Retention Purposes



General Formula

FERS

1% or 1.1% **x**
years of service

Retirement Factor

General Formula

30 Years Total Service

$$1 \% \times 30 = 30\%$$

or

$$1.1\% \times 30 = 33\%$$

Retirement Factor

FERS Calculation Example

Employee, age 62, has 24 years of service and high-3 average salary of \$98,000

$$1.1\% \text{ of } \$98,000 \text{ or } \$1,078 \times 24 = \$25,872$$

or

$$\begin{aligned} 1.1\% \times 24 &= 26.4\% \\ 26.4\% \times \$98,000 &= \$25,872 \end{aligned}$$

FERS Annuity Supplement

- ▶ Substitutes for the Social Security part of the total FERS benefit until age 62
- ▶ Approximates the Social Security benefit earned under FERS
- ▶ Subject to earnings test/\$17,040 for 2018
- ▶ Not subject to COLAs but does increase over time

FERS Annuity Supplement

To be eligible for the Supplement

- ▶ Employee must have 1 full calendar year of deductions under FERS, and
- ▶ Must qualify for an immediate, non-disability retirement (other than an MRA+10 retirement)

Reductions Applied to Basic Annuity

FERS

- CSRS component, if before Age 55
- MRA + 10 Age
- Survivor Annuity Election

FERS Age Reduction

- Applies if the employee retires on an MRA + 10 retirement
- Employee begins receiving annuity before age 62
- Permanent reduction equals 5% for each full year under age 62

Reduction for Survivor Annuity

Applies if an employee

- ▶ Elects a survivor annuity for a spouse and/or former spouse
- ▶ Has a former spouse entitled to a survivor annuity based on a valid court order, and/or
- ▶ Elects to provide someone with an insurable interest annuity

Survivor Annuity Reduction

FERS

**Full survivor annuity
(50%)**

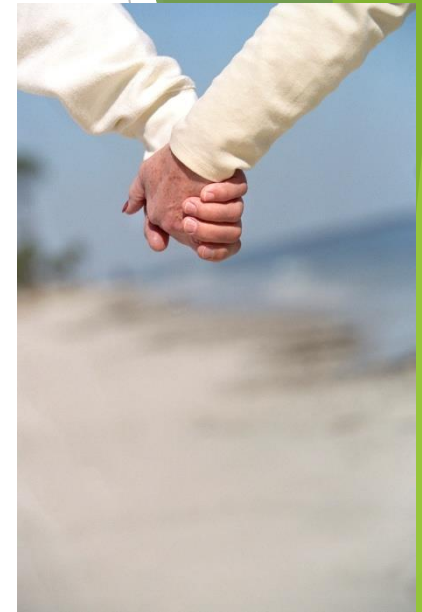
10% of annuity

**Partial survivor annuity
(25%)**

5% of annuity

Insurable Interest

- A person who has a reasonable expectancy of financial benefit in the continued life of the employee
- Reduction to provide a survivor annuity to someone with an insurable interest ranges between 10 and 40%



Insurable Interest

- ▶ New regulations effective July 20, 2012
- ▶ Presumed Insurable Interest for Same Sex Domestic Partners
- ▶ The modification of the pre-existing rule now includes same-sex domestic partners in the class of persons presumed as having an insurable interest in the continued life of the employee/retiree
- ▶ June 26, 2015- Supreme Court Ruling “Marriage for All”

Maximum Annuity

FERS

There is no
maximum
annuity under
FERS

Returning to Government Work After Retirement

Generally, annuity continues and salary is offset by amount of annuity

Exceptions (FERS)

- Disability annuitants
- Dual comp waivers

Cost of Living Adjustments (COLAS)

FERS

- Generally not applied to the annuity until the December after the annuitant reaches age 62

Exceptions

- Disability
- LEO/FF
- ATC

Cost of Living Adjustments (COLAS)

FERS

If the percent change in the CPI is:

- 0-2% the COLA equals the CPI increase
- 2-3% the COLA equals 2%
- Over 3% the COLA equals the change in the CPI - 1

Questions

